



To: Members of the Michigan House Commerce Committee

From: Tricia Kinley, Director, Tax Policy and Economic Development

Date: July 13, 2005

Subject: House Bills 5048 & 5047 (and 5005), Securitization of Tobacco Settlement Funds

The purpose of this memo is to express the Michigan Chamber of Commerce support for House Bills 5048 & 5047 (and 5005) which would authorize the sale of 75% of Michigan's tobacco settlement funds, provide for the implementation and use of these funds, and create an independent 21st Century Jobs Authority to further development efforts in growth industries.

The Huizenga/Dillion package has a number of positive aspects, including an approach that would be housed in the Department of Treasury, which has experience making investment decisions with relatively low administrative overhead. This plan also has the advantage of using the proposed funds to compliment private sector/marketplace decision making and carries the benefit of acting now, avoiding the delay and unnecessary expense of a costly special election...that has an uncertain outcome...and probable litigation over the constitutionality of having an odd year election. Furthermore "securitization" avoids the negative downsides of creating substantial debt for future generations, and allowing the state to have equity interest in private companies.

While securitization may carry some risk, we believe this is a vehicle that provides a legitimate alternative to address the desire to kick-start emerging technology businesses. As you are aware, 17 other states have securitized portions of their tobacco settlement money. This provided an opportunity to learn from what works as an option for utilizing the funds. We commend Representatives Huizenga and Dillon for their efforts to propose a well-thought-out, bi-partisan alternative. We urge your support for this legislation.

If you have further questions on this issue, please don't hesitate to contact me or Rich Studley at (517) 371-2100.